

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Expedited Package Services 3 (MC2010-28)
Negotiated Service Agreement

Docket No. CP2016-99

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE NOTICE OF FILING MODIFICATION TO
GLOBAL EXPEDITED PACKAGE SERVICES 3
NEGOTIATED SERVICE AGREEMENT

(October 4, 2016)

The Public Representative hereby provides comments pursuant to the Commission's Notice in this docket.¹ In that Notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Filing of a Modification to an existing GEPS 3 Contract²

Agreements with the GEPS 3 product offer incentive pricing to mailers that send items directly to foreign destinations using Priority Mail Express International (PMEI), Priority Mail International (PMI), or both. Notice³ at 4. Prices offered pursuant to an agreement may differ depending upon the volume or postage commitments made by the mailers. *Id.* To qualify for a GEPS agreement, a business mailer must be capable, on an annualized basis, of paying at least \$200,000 in international postage to the Postal Service.⁴

¹ PRC Notice Initiating Docket No. CP2016-99, September 29, 2016

² Notice of the United States Postal Service of Filing Modification to Global Expedited Package Services 3 Negotiated Service Agreement. (Notice).

³ See Original February 5, 2016 Postal Service Notice in this docket

⁴ See Docket No. MC2012-8, Notice of the United States Postal Service of Minor Classification Change, January 30, 2012, at 3, showing conforming changes to the Mail Classification Schedule, 2510.3.1.

The Commission, in Order No. 3081 included the agreement that is the subject of this docket within the GEPS 3 product.⁵ The instant Modification revises a few articles in the agreement to allow use of the Priority Mail Express International service and amends Annex 1 of the agreement. Notice at 1. It is intended to become effective no later than (30) days, after receiving Commission approval. Attachment 1 at 2.

COMMENTS

The Public Representative has reviewed the Postal Service's Notice, the Agreement, and supporting financial model filed under seal as part of the Notice. Based upon that review, the Public Representative concludes that it appears the negotiated prices in the Agreement should generate sufficient revenues to cover costs.

39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

As presented, the Postal Service's modified financial model indicates that the negotiated rates in the Modification will generate sufficient revenue to cover its attributable costs. Therefore, the Modification of the Agreement to the GEPS 3 product will not cause the product's cost coverage to fall below 100 percent - assuming the product currently covers its attributable costs. Under this assumption, the addition of the Agreement should allow the GEPS 3 product to continue to comply with 39 U.S.C. § 3633(a)(2), and should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). The Commission will have an opportunity to review the financial results for the Agreement in a future ACD Report for compliance with 39 U.S.C. 3633(a).

⁵ PRC Order No. 3081, Order Approving Additional Global Expedited Package Services 3 negotiated Service Agreement, Docket No. CP2016-99, February 17, 2016.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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